

PX 383

Message

From: Chris Larsen [REDACTED]@ripple.com]
Sent: 5/24/2016 9:02:38 AM
To: [REDACTED]@REDACTED.com>
CC: Patrick Griffin [Patrick Griffin [REDACTED]@ripple.com>]; Brad Garlinghouse [Brad Garlinghouse <[REDACTED]@REDACTED.com>]; [REDACTED]@REDACTED.com>
Subject: Signed MOU
Attachments: Ripple [REDACTED] MOU -- Ripple Final 5 24 2016 Executed.pdf

Hi [REDACTED]

Really great seeing you yesterday! Given you're likely in Napa, let me propose a toast to what I hope is merely the first step in a long and prosperous relationship (signed MOU attached).

We could not be more excited to be working with [REDACTED]

Congrats to both teams!

CHRIS LARSEN | CEO

[REDACTED]@ripple.com | www.ripple.com



[REDACTED] Draft
May 23, 2016

**Memorandum of Understanding
Regarding Project Xenon and Potential Commercial Venture**

This Memorandum of Understanding (“MOU”) is entered into by [REDACTED] and Ripple Labs, Inc (“Ripple”) (referred to jointly as the “Parties” and individually as a “Party”), effective as of May 24, 2016 (“Effective Date”).

Background

Through its subsidiary, [REDACTED] has formed a consortium with 42 global banks (the “[REDACTED]”) to explore the application of distributed ledger technology (“DLT”) to financial services. Through its subsidiary [REDACTED] has opened participation in the consortium to additional banks and other financial institutions (the “[REDACTED]” and together with the [REDACTED], the “[REDACTED]”).

Ripple offers banks and other financial institutions a DLT-based solution for interbank cross-border payments (“Ripple Connect”). Ripple Connect provides banks with (1) advanced messaging and reconciliation capabilities for payment processing and (2) connectivity to a distributed ledger technology (the “Ripple Consensus Ledger”). The Ripple Consensus Ledger is operated by a network of servers running the rippled software to perform validations and participate in the consensus process (the “Ripple Network”). As currently offered, Ripple Connect does not require the use of the Ripple Consensus Ledger’s native digital asset, XRP, to settle transactions. Ripple believes, however, that by using XRP as a bridge asset, users of Ripple Connect can achieve significant cost savings.

The Parties wish to engage in a project in the [REDACTED] referred to as Project Xenon (the “Project”) with certain [REDACTED] (the “Participating Members”) to evaluate the adequacy and the desirability of XRP as a bridge asset (“Digital Asset Settlement”) as a viable alternative to existing interbank settlement solutions. In consideration for its role in managing and executing the Project, [REDACTED] shall receive a share of the revenue that Ripple receives from [REDACTED] who become buyers of Ripple Connect following the conclusion of the Project.

Subject to the successful conclusion of the Project, the Parties also wish to explore a potential partnership (the “Commercial Partnership”) to commercially deploy a Digital Asset Settlement solution developed (the “Digital Asset Settlement Solution”).

Understanding

1. The Project.

1.1. Scope. The Project will consist of the establishment of Ripple Network nodes by Participating Members within the GCL to allow the Participating Members and [REDACTED] to test Digital Asset Settlement and assess its viability as an alternative to existing interbank settlement solutions. The focus will be on cross-border payments and the potential to eliminate the need for nostro accounts for local currency payouts.

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1.2. Phases; Project Plan. The Project will occur in two or more phases (“**Phases**”) as set forth in the project plan to be agreed upon by the Parties prior to the launch of the Project that will describe the timing of, and work to be completed in, each Phase of the Project and sets forth the Parties’ respective responsibilities (the “**Project Plan**”).

1.3. [REDACTED] to Manage Project, Decide Whether to Proceed with Successive Phases. [REDACTED] shall be responsible for the overall management and execution of the Project, and will have the right of final approval of the Project Plan and any changes thereto. Following the completion of each Phase of the Project, after considering the results of the completed Phase and feedback from the Participating Members, the determination to proceed with the next Phase shall be solely at [REDACTED] option and discretion. The following are some key components [REDACTED] will deliver as part of its Project management responsibilities (subject to be further detailed in the Project Plan):

1.3.1. Solicitation of [REDACTED] participation in the Project.

1.3.2. Provision of Azure environment for implementation of the Project.

1.3.3. Implementation of Ripple Network components (Ripple nodes and hosted access to Ripple Connect) in Azure.

1.3.4. Management of the Project including communication, documentation, coordination, and execution of all Phases.

1.3.5. Provision of financial and other requirements for implementation of Digital Asset Settlement as received from [REDACTED]

1.3.6. Provision of requirements and suggestions regarding integration of Ripple Connect into existing financial institution systems as received from [REDACTED]

1.4. Ripple to Provide XRP for Use in Project. Ripple shall loan a total of [REDACTED] KRP to the Participating Members for use in the Project (the “**Project XRP**”) as detailed in Exhibit A. The loan transactions shall be entered into pursuant to bilateral agreements between Ripple and each of the Participating Members, and [REDACTED] shall have no liability with respect to such agreements. Participating Members will be subject to Ripple’s onboarding process to meet compliance and regulatory requirements as detailed in Exhibit B.

1.5. Project Report. Upon completion of the Project, [REDACTED] shall issue a report regarding the outcome of the Project (the “**Project Report**”). To the extent that the Project Plan includes agreed-upon success criteria, or the Parties have otherwise agreed in writing on success criteria, the Project Report shall include an evaluation of the Project against those criteria. [REDACTED] shall share the Project Report with Ripple (i) at the same time it shares the Project Report with the Participating Members and (ii) at least ten (10) days before the Project Report is shared with any third party. Ripple understands and agrees that [REDACTED] along with its subsidiaries and affiliates, has a duty to evaluate projects, experiments, and technologies objectively and without bias. Nothing herein, commercial or otherwise, will impact [REDACTED]’s ability to satisfy that duty.

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1.6. [REDACTED] Revenue Share for Managing Project. In consideration for its solicitation of [REDACTED] as Participating Members in the Project and its role in managing the Project, [REDACTED] will receive fifteen percent (15%) of the revenue received by Ripple from any Participating Members or other [REDACTED] that become users of Ripple Connect following the completion of the Project (the "Project Revenue Share"), subject to the following terms and conditions:

1.6.1. Completion of Project. [REDACTED] shall be entitled to its Project Revenue Share if and only if (1) all Phases of the Project have been completed; and (2) [REDACTED] has issued the Project Report to [REDACTED]

1.6.2. Subject Revenue. The Project Revenue Share shall apply to (and only to) revenue received by Ripple from Participating Members and other [REDACTED] who enter into an agreement with Ripple for the use of Ripple Connect for interbank settlement in the 12-month period commencing on the date that [REDACTED] releases the Project Report (the "Project Rev Share Start Date"), including without limitation licensing fees, and transaction fees. [REDACTED] shall be entitled to the Project Revenue Share for the first three (3) years of an [REDACTED] commercial agreement with Ripple. For the avoidance of doubt, the Project Revenue Share applies to revenue from any use of Ripple Connect for interbank settlement, regardless of whether the use involves the Digital Asset Settlement model.

1.6.3. Exclusions. The foregoing notwithstanding, the Project Revenue Share shall not apply to revenue resulting from (1) integration services or other professional services performed by Ripple, or (2) agreements entered into with [REDACTED] prior to the Project Rev Share Start Date, provided that if the scope or nature of the use of Ripple Connect provided for under any such agreements is expanded or changed after the Project Rev Share Start Date, the revenue attributable to the expanded or changed scope shall be subject to the Project Revenue Share, or (3) banks currently in Ripple's existing sales pipeline that are listed in Exhibit C, except where it can be demonstrated that [REDACTED] played a critical role in a bank's decision to contract with Ripple for Ripple Connect. The exclusion contained in clause (3) of the foregoing sentence is subject to the following limitations: (x) if in any calendar quarter six (6) or more [REDACTED] enter into an agreement with Ripple for Ripple Connect, the exclusion shall apply only to the first five (5) [REDACTED] to do so, and shall not apply to any other [REDACTED] that enter into an agreement with Ripple in that quarter, and (y) the exclusion will terminate on December 31, 2016 and will not apply to limit [REDACTED] Project Revenue Share arising from any [REDACTED] that sign an agreement with Ripple after that date.

1.7. XRP Option Grant to [REDACTED] Through an option grant agreement, Ripple shall make available XRP to R3 (the "XRP Option"). The XRP Option will grant five [REDACTED] XRP. The XRP Option strike price will be at \$ [REDACTED] per XRP and expires three (3) years from Effective Date. [REDACTED] is permitted to sell up to [REDACTED] of the daily average trading volume of XRP on exchange per day. Additionally, [REDACTED] is permitted to sell XRP without any quantity limits to the extent the sales are conducted in private off-exchange transactions provided that (i) the price of those transactions is within [REDACTED] of the market price and (ii) the transactions are conditioned on the buyer's acceptance of the [REDACTED] of daily average trading volume per-day limit on XRP sales set forth in the previous sentence with respect to the buyer's sale(s) of the purchased XRP. Notwithstanding anything herein to the contrary, [REDACTED] shall be under no obligation to proceed with the Project unless and until the XRP Option grant has been made.

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1.8. Press Release. Neither Party shall issue a press release or make any other public statements regarding the Project prior to the earlier of (1) the date that the Project Report is released to [REDACTED] or (2) twenty (20) days after the Project has been completed in every respect except for the release of the Project Report (in either case, the “**Project Completion Date**”). Thereafter, the Parties shall consider the issuance of a joint press release concerning the Project, provided that neither Party shall be under any obligation to do so. In no case shall either Party issue a press release relating to the Project without the other Party’s prior written approval, which shall not be unreasonably withheld or conditioned.

1.9. Communications with and Feedback from [REDACTED]. Feedback from Participating Members regarding the Project or the performance, capabilities, or any other qualitative or quantitative feedback on Ripple Connect (“**Project Feedback**”) will be communicated to Ripple via [REDACTED] provided that if a Participating Member directs [REDACTED] not to share specific feedback with Ripple, [REDACTED] shall be under no obligation to do so. Ripple shall not solicit Project Feedback from [REDACTED] Members unless and except as approved by [REDACTED]. Should a Participating Member contact Ripple to provide feedback, Ripple should make reasonable efforts to include [REDACTED] in the conversation. Should inclusion of [REDACTED] be impracticable, Ripple must promptly notify [REDACTED] of the communication with the Participating Member and provide [REDACTED] with a summary of the contents of the communication, including any notes or minutes from the meeting.

1.10. Technology Provider Agreement. Prior to the commencement of the Project, the Parties shall enter into a Technology Provider Agreement that reflects the terms of this MOU (the “**Technology Provider Agreement**”).

2. Potential Commercial Partnership.

2.1. Negotiation of Terms. In parallel with the commencement of the Project, the Parties will negotiate the terms of the potential Commercial Partnership, consistent with the provisions of this Section 2. The Parties will negotiate in good faith with the goal of executing a term sheet reflecting the key terms by no later than the conclusion of the Project. The term sheet will be non-binding, and either Party may terminate negotiations on the term sheet at any time. Following the execution of the term sheet, and assuming that [REDACTED] elects to proceed with Phase 2 of the Project, the Parties will commence negotiation of a full agreement (the “**Commercial Agreement**”), with the goal of executing the agreement by no later than 30 days after the execution of the term sheet.

2.2. Commercial Partnership Key Terms. Among other things, the term sheet and the Commercial Agreement shall include the following terms:

2.2.1. Exclusivity. During the period beginning on the Effective Date of this MOU and ending on the earlier of (i) [REDACTED] and (ii) the [REDACTED] of the Project Completion Date (the “**Exclusivity Period**”), commercialization of the Digital Asset Settlement Solution and derivative works thereof with another third party will be permitted only pursuant to the Commercial Partnership and subject to the terms of the Commercial Agreement, and commercialization of the Digital Asset Settlement Solution with another third party outside of the Commercial Partnership shall be strictly prohibited during the Exclusivity Period. The restrictions of this Section shall not prevent Ripple from continuing any internal projects pending or in progress as of the Effective Date (such as GPSG) or from using any Ripple owned technology,

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including Ripple Connect, existing as of the Effective Date or otherwise developed outside of the Project. However, Ripple agrees that it will not develop or deploy a competing Digital Asset Settlement Solution during the Exclusivity Period.

2.2.2. Party Responsibilities. Each Party's roles and responsibilities in the Commercial Partnership shall be specified.

2.2.3. Commercial Partnership Commercial Terms. The commercial terms of the Commercial Partnership including the apportionment of revenue between the Parties shall be specified. The commercial terms shall be structured such that the economic benefit to [REDACTED] is greater than the economic benefit provided by the Project Revenue Share.

2.2.4. Transfer of XRP. Through a sale, loan, option agreement or other arrangement, Ripple shall make available XRP for use by the Participating Members (the "XRP Transfer"). The amount and structure of the XRP Transfer is TBD.

3. MOU Terms.

3.1. Term. The term of this MOU (the "Term") will begin on the Effective Date and shall continue until the Parties execute the Technology Provider Agreement or either Party notifies the other in writing that it no longer wishes to proceed with the Project.

3.2. NDA. The nondisclosure agreement ("NDA") separately executed by the parties on February 23rd, 2015, shall apply to this MOU.

3.3. Nonexclusive Relationship. Except for Section 2.2.1, nothing in this MOU shall be deemed to be a restriction of any type on either party's ability to enter into memoranda of understanding or any other type of agreement with any third party.

3.4. Miscellaneous. This MOU is for the sole benefit of the parties and nothing expressed herein or implied hereby will give or be construed to give any person, other than the parties, any legal or equitable rights hereunder.

RIPPLE LABS, INC

By: [REDACTED]
Name: Chris Larsen
Title: CEO

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By: _____

Exhibit A

XRP loan structure for Project Xenon

Structure:

- Amount - [REDACTED] XRP total, to be divided among the Participating Members
- Bilateral agreements – Loans will be made directly between Ripple and each Participating Member through bilateral agreements, to which [REDACTED] will not be a party, and with respect to which [REDACTED] will have no responsibilities or liability.
- Instrument - Loan repayable in the same amount of XRP, USD notional value (price to be struck at loan inception), or some equivalent combination of the two.
- Tax implications - there are likely no tax implications for the Participating Members with repayment in XRP, and it's effectively a purchase if the Participating Member repays in USD.
- Loan term - [REDACTED]

Benefits:

- This give Participating Member the upside exposure, though the size for the Project is small relative to Participating Member assets.
- Because it's not a grant, this does not force Participating Members into ownership and removes the scenario where the Participating Member reports income.
- Provides Participating Members with access to the underlying XRP without requiring purchase or ownership.

Detraction:

- If the XRP price declines after the Participating Member sells the XRP, and the Participating Member pays back the loan in XRP, then it might be considered that the Participating Member realized net gains for the decline in value. In this scenario, the Participating Member will have tax liabilities on net gains.

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Exhibit B **Onboarding Requirements for XRP loan**

Required Information:

1. Name of the Participating Member
2. Address of the Participating Member
3. Account number (Ripple wallet receiving XRP) of the Participating Member
4. Any other specific identifier of the Participating Member

For federally-regulated US banks, Participating Members will need to submit only

- The Required Information listed above

For non-US banks, Participating Members will need to submit:

- The Required Information listed above and;
- A completed Customer KYC Form for Banks (attached)

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Exhibit C

Referral Exceptions ('Carve Outs')

The following banks are existing commercial clients or are in later stage commercial discussions and will be excluded from Revenue Share considerations:

